

POLLY ANN TRAILWAY  
MANAGEMENT COUNCIL, INC.

Oakland County, Michigan

Annual Financial Report

September 30, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Polly Ann Trailway Management Council, Inc	County Oakland
Fiscal Year End September 30, 2006	Opinion Date March 31, 2007	Date Audit Report Submitted to State June 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

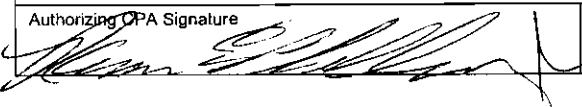
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	There were no items required to be reported.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Ramie E. Phillips, Jr., PC, CPA		Telephone Number (248) 656-1131	
Street Address 1130 Tienken Court, Suite 100		City Rochester Hills	State MI
		Zip 48306	
Authorizing CPA Signature 		Printed Name Ramie E. Phillips, Jr.	License Number 7911

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2006

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**Independent Auditor's Report**

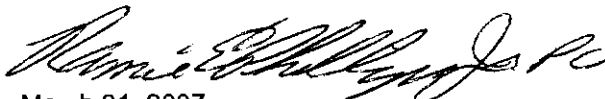
Trailway Council  
Polly Ann Trailway Management Council, Inc.  
Oakland County, Michigan

I have audited the accompanying financial statements of net assets and activities of the Polly Ann Trailway Management Council, Inc., Oakland County, Michigan as of and for the year ended September 30, 2006, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial are the responsibility of the Council's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of the Polly Ann Trailway Management Council, Inc., Oakland County, Michigan, as of September 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 and the budgetary comparison information on pages 15 and 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



March 31, 2007

## POLLY ANN TRAILWAY MANAGEMENT COUNCIL

### **Management's Discussion and Analysis**

The Polly Ann Trailway Management Council's management discussion and analysis has been prepared to provide an overview of the Council's financial activities for fiscal year ending September 30, 2006. This discussion and analysis needs to be read and reviewed concurrently with the Trailways Council's financial statements.

This management discussion and analysis includes comparative data from fiscal year 2005 in order to remain compliant with the Government Accounting Standards Board Statement No. 34.

### **Polly Ann Trailway Management Council as a Whole**

The following tables show the condensed Statements of net assets and activities for the years ended September 30 ,2005 and 2006:

Table 1  
Statement of Net Assets

	2005	2006
Assets		
Current Assets	\$123,999	\$87,340
Capital assets - net	24,587	124,921
Total Assets	\$148,586	\$212,261
	=====	=====
Liabilities		
Current Liabilities	\$26,911	\$9,880
Net Assets		
Invested in capital assets	-	\$124,921
Unrestricted	112,675	68,460
Temporarily Restricted	9,000	9,000
Total Net Assets	\$148,586	\$212,261
	=====	=====

Table 2  
Changes in Net Assets

Revenue		
Intergovernmental Contributions	\$57,325	\$52,298
Donations	45,363	1,563
Grants	-	72,599
Other	12,381	2,678
Release of temporarily restricted net assets	490,000	-
	<hr/>	<hr/>
Total Revenue	\$605,069	\$129,138
	<hr/>	<hr/>
Expenses	\$625,244	\$148,766
	<hr/>	<hr/>
Changes in Net Assets	(\$20,175)	(\$19,628)
	=====	=====

The Council's Capital Net Assets increased due to the adjustment to governmental fund reporting per GASB 34. Governmental funds report capital outlays as expenditures. However, in the statement of activities these items are capitalized and the costs of those assets are allocated over their estimated useful lives as depreciation. Therefore, the change to capital assets less depreciation is \$100,334. In addition, the total investment in capital assets is shown in the Net Assets category.

The Council's revenue, in a normal year, consists of intergovernmental contributions, donations and grants. In the year 2005, the Net assets were released from restrictions by incurring expenses satisfying the purpose specified by the donors as follows:

Community Foundation, trail development	\$240,000
Chrysler Foundation, trail development	<u>250,000</u>
	\$490,000

### Budgetary Highlights

### Contacting the Council's Financial Management

The financial report is designed to provide our members and citizens with a general overview of the Council's finances and show the Council's accountability for the money it receives. If you have any questions about this report, or require additional information, you can contact the Council's office.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Statement of Net Assets  
September 30, 2006

**ASSETS**

Current Assets:	
Cash	\$ 52,729
Accounts Receivable	9,788
Grants Receivable	24,365
Prepaid Expenditures	458
Total Current Assets	<u>87,340</u>
Capital Assets:	
Land	2,300
Construction in Progress - Trailway Improvements	103,470
Portable Restroom	27,296
Computer Equipment	2,032
Less Accumulated Depreciation	(10,177)
Total Capital Assets, net of depreciation	<u>124,921</u>
Total Assets	<u>\$ 212,261</u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable	\$ 9,880
Total Current Liabilities	<u>9,880</u>

**NET ASSETS**

Invested in Capital Assets	124,921
Unrestricted	68,460
Temporarily Restricted	9,000
Total Net Assets	<u>202,381</u>
Total Liabilities and Net Assets	<u>\$ 212,261</u>

The accompanying notes are an integral part  
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Statement of Activities  
For the Year Ended September 30, 2006

Activities	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Assets
		Member Contributions	Grants and Other	
Operating and Maintaining Trailways	\$ 48,432	\$ 48,398	\$ 78,427	\$ 78,393
Total Activities	<u>\$ 48,432</u>	<u>\$ 48,398</u>	<u>\$ 78,427</u>	<u>78,393</u>
General Revenues:				
Interest Income				<u>2,313</u>
Total General Revenues				<u>2,313</u>
Changes in Net Assets				80,706
Net Assets - October 1, 2005				<u>121,675</u>
Net Assets - September 30, 2006				<u>\$ 202,381</u>

The accompanying notes are an integral part  
of the financial statements.



POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Balance Sheet  
September 30, 2006

**ASSETS**

Cash	\$	52,729
Accounts Receivable		9,788
Grants Receivable		24,365
Prepaid Expenditures		458
Total Assets	\$	<u>87,340</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:		
Accounts Payable	\$	9,880
Total Liabilities		<u>9,880</u>
Fund Balance:		
Undesignated		68,460
Temporarily Restricted		9,000
Total Fund Balance		<u>77,460</u>
Total Liabilities and Fund Balance	\$	<u>87,340</u>

The accompanying notes are an integral part  
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Reconciliation of the Council Funds Balance Sheet to the Statement of Net Assets  
For the Year September 30, 2006

Fund balances		\$	9,000
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Amounts reported for governmental activities in the  
statement of net assets differ due to:

Capital assets used in governmental activities  
are not financial resources and therefore are not  
reported as assets in commission funds.

Historical cost	\$	135,098	
Accumulated depreciation		<u>(10,177)</u>	<u>124,921</u>

Total net assets - governmental activities		\$	<u><u>133,921</u></u>
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The accompanying notes are an integral part  
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended September 30, 2006

REVENUES:

Intergovernmental Contributions	\$ 48,398
In Kind Rent Revenue - Leonard	3,900
Membership Dues	350
Sale of Promotional Items	15
Donations	1,563
Investment Earnings	2,313
Grants Received	<u>72,599</u>
Total Revenues	<u>129,138</u>

EXPENDITURES:

Contracted Services	27,846
Accounting Fees	2,761
Audit Costs	5,100
Insurance	2,719
Equipment Maintenance	1,078
Operating Supplies	86
Donated Use of Facilities	3,900
Property Taxes	113
Mileage	126
Promotion	36
Office Supplies and Expense	448
Postage	133
Interest	28
Telephone	530
Utilities	392
Trailway Development Costs	30,871
DNR Grant Expenses - Capital Projects	<u>72,599</u>

Total Expenditures 148,766

Excess of Revenues Over Expenditures (19,628)

Fund Balance - Beginning 97,088

Fund Balance - Ending \$ 77,460

The accompanying notes are an integral part  
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities  
For the Year September 30, 2006

Net change in fund balances - governmental funds \$ (19,628)

Amounts reported for governmental activities in the  
statement of activities differ due to:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities these items are  
capitalized and the costs of those assets are allocated  
over their estimated useful lives as depreciation.

Capitalized assets	\$ 103,470	
Depreciation	<u>(3,136)</u>	<u>100,334</u>

Change in net assets - governmental activities		<u>\$ 80,706</u>
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The accompanying notes are an integral part  
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Notes to Financial Statements  
September 30, 2006

**Note A: Summary of Significant Accounting Policies**

The accounting policies of the Polly Ann Trailway Management Council, Inc. conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

The Council adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management Discussion and Analysis. The Council has elected to report all of its funds as major funds in the financial statements.

**Reporting Entity**

The Polly Ann Trailway Management Council, Inc. was created for the purpose of owning, exercising right of dominion over, developing, providing, maintaining, and operating certain non-motorized public trails for recreational use within the jurisdiction of member units, Orion Township, Oxford Township, Village of Oxford, and Addison Township.

**Basis of Accounting**

The financial statements are presented on a full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

**Cash and Cash Equivalents**

The Commission has defined cash and cash equivalents to include cash on hand, demand notes, and certificates of deposit with original maturities of three months or less from the date of acquisition.

**Receivables**

All receivables are considered fully collectible. No provision for non-collection has been made in the financial statements.

**Capital Assets**

Capital assets, which include land, trailway improvements, and equipment, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Improvements and equipment is depreciated using the straight line method over the following estimated lives:

Improvements	10 years
Equipment	5 years

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note B: Stewardship, Compliance, and Accountability**

#### Budgetary Data

Annual budgets are adopted for the funds as required by the Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act. The Council's approved budget was adopted on the line item level.

The trailway coordinator prepares a preliminary budget for the Council's review and comment. After receiving input from those concerned, the coordinator rewrites the budget. The rewritten budget is presented to the Council for final review and approval. This process occurs prior to year end.

#### Excess of Expenditures Over Appropriations

For the year ended September 30, 2006, the following line items exceeded the amount budgeted:

	<u>Amount Over Budget</u>
Interest Expense	\$ 28
Postage	33
Insurance	19
Miscellaneous Trail Expenses	11

### **Note C: Deposits and Investments**

Michigan compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Council is allowed to invest in bonds, securities and other direct obligations of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Council has designated one bank for the deposit of the Council's funds. This is in compliance with the adopted investment policy adopted in accordance with Public Act 196 of 1977.

GASB Statement 3, Investments are categorized to give an indication of the level of custodial credit risk assumed. Category 1 includes investments that are insured or registered, or securities held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust

department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Commission's name.

The Commission's investments consist of an interest bearing checking account, which is not categorized because it is not evidenced by securities that exist in physical or book entry form.

#### **Note D: Capital Assets**

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 2,300	\$ -	\$ -	\$ 2,300
Trailway Improvements:				
Portable Restroom	27,296	-	-	27,296
Construction in Progress	-	103,470	-	103,470
Office Equipment	2,032	-	-	2,032
Total Capital Assets Being Depreciated	29,328	103,470	-	132,798
Less Accumulated Depreciation for:				
Trailway Improvements:	5,687	2,729	-	8,416
Office Equipment	1,354	407	-	1,761
Total Accumulated Depreciation	7,041	3,136	-	10,177
Capital Assets Being Depreciated - Net	22,287	100,334	-	122,621
Capital Assets - Net	\$ 24,587	\$ 100,334	\$ -	\$ 124,921

Depreciation was charged to operations in the amount of: \$ 3,136

#### **Note E: Risk Management**

The Commission is exposed to various risks of loss to general liability, theft of assets, destruction of assets, and natural disasters. The Commission carries commercial insurance to protect against these potential losses. The Commission does not maintain a fidelity bond.

**Note F: Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$9,000 represent amounts being held for the Tri-County Bicycle Foundation, trail spur.

**Note F: Subsequent Events**

**Individual Loan**

Subsequent to balance sheet date an individual loaned the Council \$100,000 which accrues interest at the rate of 5.99% annually until paid. The note will be paid from future payments to be received from the Michigan Department of Natural Resources.

**Michigan Department of Natural Resources Grants**

The Council received two grants from the Michigan Department of Natural Resources in the amounts of \$130,000 and \$90,000. The funds are to be used for resurfacing the trailway. The Grant period is from the signing date to September 30, 2007.



POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Budgetary Comparison Schedule  
For the Year Ended September 30, 2006

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
<b>Operating Revenue:</b>				
Contributions - Orion Township	\$ 29,827	\$ 26,997	\$ 27,000	\$ 3
Contributions - Oxford Township	15,105	13,672	13,852	180
Contributions - Village of Oxford	3,337	3,021	2,758	(263)
Contributions - Addison Township	9,175	8,305	4,788	(3,517)
In Kind Rent Revenue - Leonard	1,055	955	3,900	2,945
Membership Dues	500	500	350	(150)
Sale of Promotional Items	200	200	15	(185)
Equestrian Event	1,000	1,000	-	(1,000)
Contributed Services	4,250	4,250	-	(4,250)
Donations	-	-	1,563	1,563
Interest Earnings - Operating	300	300	1,433	1,133
Interest Earnings - Restricted	100	100	881	781
Grant Received - DNR Engineering	38,125	38,125	29,256	(8,869)
Grant Received - RTP Utility	60,000	60,000	43,343	(16,657)
Total Operating Revenues	<u>162,974</u>	<u>157,425</u>	<u>129,139</u>	<u>(28,286)</u>
<b>Development Revenues:</b>				
Corporate Memberships	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Total Development Revenues	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Total Revenues	<u>\$ 166,974</u>	<u>\$ 161,425</u>	<u>\$ 129,139</u>	<u>\$ (32,286)</u>
<b>EXPENSES:</b>				
<b>Operating Expenses:</b>				
Contracted Services	\$ 30,000	\$ 30,000	\$ 27,846	\$ 2,154
Accounting Fees	4,000	4,000	2,761	1,239
Legal Fees	100	100	-	100
Credit/Bank Fees	100	100	17	83
Audit and Tax Services	5,100	5,100	5,100	-
Office Supplies	700	700	265	435
Meeting Expense	250	250	140	110
Telephone	600	600	530	70
Utilities	550	550	392	158
Interest Expense	-	-	28	(28)
Postage	100	100	133	(33)
Fundraising Postage	400	400	-	400
Property Taxes	150	150	113	37
Donated Use of Facilities	4,250	4,250	3,900	350
Printing	300	300	27	273
Brochure Printing	1,000	1,000	-	1,000
Insurance	2,700	2,700	2,719	(19)

The accompanying notes are an integral part  
of the financial statements.

POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

Budgetary Comparison Schedule  
For the Year Ended September 30, 2006

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
Equipment Maintenance	1,500	1,500	1,078	422
Mileage	200	200	126	74
Miscellaneous Trail Expenses	100	100	111	(11)
Events	400	400	15	385
Equestrian Expense	-	-	(40)	40
Promotional Expenses	300	300	36	264
Depreciation	-	-	3,136	(3,136)
Advertising and Web	150	150	-	150
Total Operating Expenses	<u>52,950</u>	<u>52,950</u>	<u>48,433</u>	<u>4,517</u>
Development Expenses:				
Trail Development	-	-	970	(970)
Engineering	65,000	65,000	28,094	36,906
Orion Bridge	-	-	1,807	(1,807)
RTP Utility Grant	-	-	43,343	(43,343)
DNR Engineering Grant	-	-	29,256	(29,256)
Total Development Expenses	<u>65,000</u>	<u>65,000</u>	<u>103,470</u>	<u>(38,470)</u>
Total Expenses	<u>\$ 117,950</u>	<u>\$ 117,950</u>	<u>\$ 151,903</u>	<u>\$ (33,953)</u>
Surplus/(Deficit)	<u>\$ 49,024</u>	<u>\$ 43,475</u>	<u>\$ (22,764)</u>	<u>\$ (66,239)</u>

The accompanying notes are an integral part  
of the financial statements.